

FINANCIAL STATEMENTS
MCNEESE STATE UNIVERSITY FOUNDATION
(A Non-Profit Corporation)

Years Ended June 30, 2007 and 2006
With Independent Auditors' Report

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/24/07

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INDEPENDENT AUDITORS' REPORT

Board of Directors
McNeese State University Foundation
Lake Charles, Louisiana

We have audited the accompanying statements of financial position of the McNeese State University Foundation, a non-profit corporation, as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These statements are the responsibility of the management of the McNeese State University Foundation. Our responsibility is to express an opinion on these statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the McNeese State University Foundation, at June 30, 2007 and 2006, and the results of its activities and cash flows for the years then ended in conformity with generally accepted accounting principles of the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 29, 2007, on our consideration of the Foundation's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

August 29, 2007
Lake Charles, LA

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2007 and 2006

ASSETS

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 4,569,346	\$ 2,832,379
Unconditional promises to give	357,962	157,957
State matching receivable	520,000	160,000
Investments	45,195,631	39,354,181
Donated property	<u>520,525</u>	<u>489,954</u>
Total assets	<u>\$ 51,163,464</u>	<u>\$ 42,994,471</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 83,696	\$ 30,760
Funds held in custody	<u>4,206,799</u>	<u>3,238,814</u>
Total liabilities	4,290,495	3,269,574

NET ASSETS

Unrestricted	4,832,962	4,473,888
Temporarily restricted	15,697,896	11,104,335
Permanently restricted	<u>26,342,111</u>	<u>24,146,674</u>
Total net assets	<u>46,872,969</u>	<u>39,724,897</u>
Total liabilities and net assets	<u>\$ 51,163,464</u>	<u>\$ 42,994,471</u>

The accompanying notes are an integral part of these statements.

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Contributions	\$ 58,504	\$ 2,608,232	\$ 1,523,459	\$ 4,190,195
Investment earnings, net of fees of \$208,000 for 2007 and \$148,000 for 2006	450,715	4,603,719	671,978	5,726,412
Rent	13,575	-	-	13,575
Fund raising	8,000	-	-	8,000
Donated equipment	3,050	-	-	3,050
Other	18,535	-	-	18,535
Net assets released from restrictions:				
Satisfaction of program expenses	2,618,390	(2,618,390)	-	-
Total Revenue and Support	3,170,769	4,593,561	2,195,437	9,959,767
EXPENSES				
Grants paid to benefit McNeese State University for:				
Projects specified by donors	2,075,604	-	-	2,075,604
Dedicated scholarships	390,993	-	-	390,993
Freshman awards	40,000	-	-	40,000
Professorship and endowed scholars	67,000	-	-	67,000
Named honor awards	10,000	-	-	10,000
Excellence awards	3,835	-	-	3,835
Early admissions scholarships	4,010	-	-	4,010
Graduate scholarships	10,175	-	-	10,175
In kind equipment distributions	14,817	-	-	14,817
Other distributions	1,956	-	-	1,956
Total grants paid	2,618,390	-	-	2,618,390
Supporting services:				
Management and general	90,865	-	-	90,865
Fund raising	102,440	-	-	102,440
Total support services	193,305	-	-	193,305
Total Expenses	2,811,695	-	-	2,811,695
CHANGE IN NET ASSETS	359,074	4,593,561	2,195,437	7,148,072
Net assets at beginning of period	4,473,888	11,104,335	24,146,674	39,724,897
NET ASSETS AT END OF PERIOD	\$ 4,832,962	\$ 15,697,896	\$ 26,342,111	\$ 46,872,969

The accompanying notes are an integral part of these statements.

Year Ended June 30, 2006			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 295,730	\$ 2,253,591	\$ 562,773	\$ 3,112,094
60,875	2,698,455	413,018	3,172,348
13,200	-	-	13,200
12,000	-	-	12,000
-	-	-	-
743	-	-	743
2,224,055	(2,224,055)	-	-
2,606,603	2,727,991	975,791	6,310,385
1,726,413	-	-	1,726,413
362,881	-	-	362,881
33,700	-	-	33,700
71,000	-	-	71,000
10,000	-	-	10,000
4,000	-	-	4,000
2,850	-	-	2,850
12,088	-	-	12,088
-	-	-	-
1,123	-	-	1,123
2,224,055	-	-	2,224,055
39,333	-	-	39,333
49,355	-	-	49,355
88,688	-	-	88,688
2,312,743	-	-	2,312,743
293,860	2,727,991	975,791	3,997,642
4,180,028	8,376,344	23,170,883	35,727,255
\$ 4,473,888	\$ 11,104,335	\$ 24,146,674	\$ 39,724,897

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 7,148,072	\$ 3,997,642
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net (appreciation) depreciation in fair value of investments	(3,545,308)	303,852
Net realized gains on sales of investments	(1,901,816)	(3,420,617)
Contributions restricted for investment in endowment	(1,523,459)	(562,773)
Investment earnings restricted for investment in endowment	(671,978)	(562,773)
Change in unconditional promises to give	(200,005)	12,733
Change in accounts payable	<u>52,936</u>	<u>(10,793)</u>
Net cash provided by operating activities	(641,558)	(242,729)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	(9,835,641)	(19,362,900)
Purchase of other asset	(30,571)	(19,954)
Proceeds from sale of investments	<u>9,634,725</u>	<u>19,015,061</u>
Net cash used in investing activities	(231,487)	(367,793)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Contributions restricted for investment in endowment	1,523,459	562,773
Investment earnings attributable to funds held in custody	254,575	243,840
Investment earnings attributable to endowed funds	671,978	562,773
State matching funds received	<u>160,000</u>	<u>-</u>
Net cash provided by financing activities	<u>2,610,012</u>	<u>1,369,386</u>
NET CHANGE IN CASH	1,736,967	758,864
CASH AT BEGINNING OF PERIOD	<u>2,832,379</u>	<u>2,073,515</u>
CASH AT END OF PERIOD	<u>\$ 4,569,346</u>	<u>\$ 2,832,379</u>

These accompanying notes are an integral part of these statements.

McNeese State University Foundation

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The McNeese State University Foundation (the Foundation) is a not-for-profit organization which was formed to promote the educational and cultural welfare of McNeese State University by accepting gifts for the purpose of providing scholarships for students, professorships for educational research, or such other designated projects for the benefit of the University. The principal sources of support are from alumni of McNeese State University as well as businesses and individuals located in southwest Louisiana.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Foundation presents its financial statements in accordance with Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, an organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Additionally, the Foundation is required to present a statement of cash flows.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets from endowment fund contributions are restricted to investment in perpetuity, the income from which is considered temporarily restricted until donor-imposed restrictions are met.

Certain gifts are subject to the terms of acts of donation whereby the Foundation and/or the University agrees to certain requirements such as providing information regarding how such gifts are invested and how earnings thereon are spent.

Income Taxes

The Foundation operated as a public charity under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal and state income taxes and the excise tax which applies to certain foundations.

McNeese State University Foundation

NOTES TO FINANCIAL STATEMENTS

1. **NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Promises To Give

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Cash and Cash Equivalents

For accounting and reporting purposes, cash and cash equivalents includes cash on hand, cash in bank, and all highly liquid investments with original maturities of three months or less. The foundation maintains deposit accounts with large, multi-state financial institutions. As of June 30, 2007, the Foundation's collected bank balances exceeded federally-insured limits by approximately \$612,297. The Foundation began participation in Louisiana Asset Management Pool (LAMP), a state-wide external investment pool, during the year ended June 30, 2004. Deposits with LAMP totaled \$2,879,050 and \$2,038,554 at June 30, 2007 and 2006. Such deposits are secured by an interest in the underlying investment pool, consisting of U.S. Treasury and agency securities, held by LAMP. The Foundation also has money-market holdings as part of its managed investment accounts. Such balances totaled \$1,267,928 and \$292,015 at June 30, 2007 and 2006, respectively, and are not secured.

Investments

Investments consist of U.S. Government securities and obligations, marketable debt and equity securities, mutual funds, and money market funds. The Foundation accounts for its investments in accordance with SFAS No. 124, *Accounting for Certain Investments by Not-for-Profit Organizations*. Accordingly, investments in these securities are reported at fair value. Fair value is determined using quoted market price of identical and similar securities. Investments are diversified across many types of securities as well as many different issuers primarily operating across the United States.

Donated Property

Donated property is reflected as a contribution in the accompanying statements at its estimated value at date of receipt. Donated properties are not used for Foundation operations.

Funds Held in Custody

The Foundation participates in a program with the State of Louisiana (the Eminent Scholars/Endowed Professorships Program sponsored by the Louisiana Board of Regents) whereby the State contributes matching funds which, together with donations received by the Foundation, establishes endowment funds, which are accumulated in accounts segregated from other Foundation funds. The state match constitutes 40% of the total endowment. The earnings on these funds are to be used for professorships. The Foundation considers donations received from donors into this fund to be permanently restricted net assets and all state matching funds as funds held in custody. The liability "Funds held in custody" represents the lesser of 40% of the fair value of the segregated accounts or the original state match amount plus required increases to cover inflation.

McNeese State University Foundation

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

2. PROMISES TO GIVE

Unconditional promises to give are considered collectible therefore no allowance for doubtful accounts has been recorded. The total amount of unconditional promises to give at June 30, 2007 is expected to be collected as follows:

Less than one year	\$ 229,012
One to five years	128,950
Total unconditional promises to give	<u>\$ 357,962</u>

Certain donors have stipulated in their wills to make donations to the Foundation upon death. The total amount of such conditional promises to give is \$2,213,252 at June 30, 2007. As the donors have placed a condition on the donation, these amounts have not been recorded in the financial statements.

3. INVESTMENTS

At June 30, 2007, the Foundation's investments, carried at fair value, consisted of the following:

	2007		
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss
Certificates of deposit	\$ 82,379	\$ -	\$ -
Mutnal funds	10,457,250	4,008,966	(672,809)
Corporate stock	25,393,451	6,001,075	(94,873)
Other	20,192	-	-
	<u>\$ 35,953,272</u>	<u>\$ 10,010,041</u>	<u>\$ (767,682)</u>
			<u>\$ 45,195,631</u>

McNeese State University Foundation

NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS- (Continued)

At June 30, 2006, the Foundation's investments, carried at fair value, consisted of the following:

	2006		
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss
			Estimated Fair Value
Certificates of deposit	\$ 79,578	\$ -	\$ 79,578
Mutual funds	10,802,543	3,853,291	14,502,487
Corporate stock	22,940,916	2,593,961	24,748,247
Other	23,869	-	23,869
	<u>\$ 33,846,906</u>	<u>\$ 6,447,252</u>	<u>\$ 39,354,181</u>

Investment earnings included in the statement of activities was comprised of the following for the years ended June 30, 2007 and 2006:

	2007	2006
Interest and dividend income	\$ 467,068	\$ 564,385
Realized gains on sales of investments	1,714,036	2,911,815
Unrealized gain (loss) on investments	3,545,308	(303,852)
	<u>\$ 5,726,412</u>	<u>\$ 3,172,348</u>

4. DONATED PROPERTY

The carrying values of donated property consisted of the following at both June 30, 2007 and 2006:

	2007	2006
650-acre farm	\$ 350,000	\$ 350,000
Property at 1608 Sampson Street, Westlake, Louisiana	170,525	139,954
	<u>\$ 520,525</u>	<u>\$ 489,954</u>

The Foundation has agreed that the farm would be used primarily by the Agriculture Department of McNeese State University and would never be sold. The property in Westlake was originally valued at \$120,000 and after Hurricane Rita, the Foundation put capital improvements into the property for a total of \$50,525.

McNeese State University Foundation

NOTES TO FINANCIAL STATEMENTS

5. FUNDS HELD IN CUSTODY

The Foundation has received matching funds of \$3,000,000 and \$2,840,000 from the State of Louisiana as of June 30, 2007 and 2006, under the professorship program detailed in Note 1. Additionally, there was a state match receivable of \$520,000 and \$160,000 at June 30, 2007 and 2006, respectively.

6. TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

	<u>2007</u>	<u>2006</u>
Projects specified by donors	\$ 2,075,604	\$ 1,726,413
Dedicated scholarships	390,993	362,881
Freshman awards	40,000	33,700
Professorship awards	51,000	71,000
Named honor awards	10,000	10,000
Endowed scholars	16,000	-
Excellence awards	3,835	4,000
Early admissions scholarships	4,010	2,850
Graduate scholarships	10,175	12,088
In kind equipment distributions	14,817	-
Endowment distributions	1,956	1,123
	<u>\$ 2,618,390</u>	<u>\$ 2,224,055</u>

7. PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Eminent Scholars/Endowed Professorships	\$ 6,310,199	\$ 4,858,221
Scholarships	9,494,310	8,198,092
H.C. Drew Institute	6,000,000	6,000,000
Other University Projects	4,537,602	5,090,361
	<u>\$ 26,342,111</u>	<u>\$ 24,146,674</u>

McNeese State University Foundation
NOTES TO FINANCIAL STATEMENTS

8. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Foundation in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, and unconditional promises to give. The carrying amounts reported in the statements of financial position for cash and cash equivalents approximate fair values because of the short maturities of those instruments. The fair value of unconditional promises to give is not considered to be significantly different from carrying value due to the small carrying value.

Investments. The carrying values of investments reported in the statements of financial position are equal to the estimated fair values of those investments. The fair values of investments are based on quoted market prices for those or similar investments.

9. PROFESSORSHIP PROGRAM

As discussed in Note 1, funds representing the Eminent Scholars/Endowed Professorships program are segregated. The fair value of these funds was \$9,216,998 and \$7,937,035 at June 30, 2007 and 2006, respectively, compared to \$8,800,000 and \$7,500,000 in donations/state matching. Included in the value of these funds were cash and cash equivalents of \$316,863 and \$129,556 at June 30, 2007 and 2006, respectively.

10. TRANSACTIONS WITH THE UNIVERSITY

Pursuant to the affiliation agreement between the Foundation and the University, the University provides certain personal services and usage of office space and equipment for Foundation operations. In return, the Foundation provides solicits and manages funds for the benefit of the University.

A portion of the grants, such as scholarships and professorships, is paid directly to McNeese State University to be disbursed to final beneficiaries. Such expenses totaled \$831,935 and \$1,290,681 for the years ended June 30, 2007 and 2006. Additionally, accounts payable includes \$51,000 in program expenses payable to the University as of June 30, 2007.

11. CAPITAL CAMPAIGN

As of November 2006, the Foundation initiated a capital endowment campaign, known as "Building a Solid Foundation", to raise \$15 million by 2010.

12. RECLASSIFICATIONS

Certain reclassifications have been made to the 2006 financial statements in order to conform to the 2007 presentation.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
McNeese State University Foundation
Lake Charles, Louisiana

We have audited the financial statements of McNeese State University Foundation as of and for the year ended June 30, 2007, and have issued our report thereon dated August 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of financial statement that is more than inconsequential will not be prevented or detected by internal control.

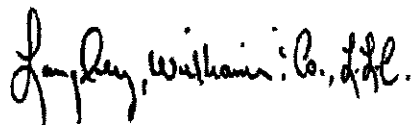
A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by internal control.

Our consideration of internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the McNeese State University Foundation, the Foundation's management, the Legislative Auditor of the State of Louisiana, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script, appearing to read "James W. Witherman, Jr." followed by a small mark.

Lake Charles, Louisiana
August 29, 2007

**McNeese State University Foundation
Schedule of Prior Year Findings
For the Year Ended June 30, 2007**

There were no findings in the prior year

**McNeese State University Foundation
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007**

Section I - Summary of Audit Results

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- | | | |
|---|---|------|
| • | Material weaknesses identified? | None |
| • | Reportable conditions identified that are not considered to be material weaknesses? | None |

Noncompliance material to financial statements noted? No

Federal Awards

N/A

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

N/A

**McNeese State University Foundation
Corrective Action Plan for Current Year Findings
For the Year Ended June 30, 2007**

No current year findings.